

**REPORT OF THE AUDIT OF THE  
CRITTENDEN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**

## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE CRITTENDEN COUNTY FISCAL COURT**

**June 30, 2007**

Romaine & Associates, PLLC has completed the audit of the Crittenden County Fiscal Court for fiscal year ended June 30, 2007.

The financial statements of Crittenden County Hospital, Inc., a discretely presented component unit, have been prepared under accounting principles generally accepted in the United State of America, which is inconsistent with the basis of accounting Crittenden County, Kentucky, uses to prepare its financial statements. As a result, we have issued a qualified opinion on the discretely presented component unit.

We have issued unqualified opinions, on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Crittenden County, Kentucky.

#### **Financial Condition:**

The primary government had net assets of \$29,405,898 as of June 30, 2007. The fiscal court had unrestricted net assets of \$3,538,641 in its governmental activities as of June 30, 2007, with total net assets of \$29,401,307. In its business-type activities, total net cash and cash equivalents were \$4,591 with total net assets of \$4,591. The fiscal court's discretely presented component unit had net assets of \$7,201,388 as of September 30, 2007. The discretely presented component unit had net cash and cash equivalents of \$1,176,255. The fiscal court had total debt principal as of June 30, 2007 of \$6,819,900 with \$116,233 due within the next year. The discretely presented component unit had total debt principal as of September 30, 2007 of \$1,342,801 with \$333,123 due within the next year.

#### **Deposits:**

The primary government and component units' deposits were insured and collateralized by bank securities or bonds.

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Krista Romaine, CPA, Member  
Charlotte Clark, Member

# Romaine *and* Associates PLLC

William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Fred Brown, Crittenden County Judge/Executive  
Members of the Crittenden County Fiscal Court

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Crittenden County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Crittenden County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Crittenden County Hospital, Inc., a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit is based on the report of the other auditors. Those financial statements reflect 100% of assets and revenues of the discretely presented component unit opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Crittenden County Hospital, Inc., were not audited in accordance with Government Auditing Standards. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Crittenden County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The financial statements of the Crittenden County Hospital, Inc., a discretely presented component unit, are presented in accordance with the accrual basis of accounting and therefore include certain accruals required by accounting principles generally accepted in the United State of America, that are not presented in accordance with the modified cash basis of accounting. The amounts by which these accrual affect the financial statements are not reasonably determinable.

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
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In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Crittenden County Hospital, Inc.'s financial statements been prepared using the same basis of accounting as Crittenden County, Kentucky, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Crittenden County, Kentucky, as of June 30, 2007, and the changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crittenden County, Kentucky, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has chosen not to present the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crittenden County, Kentucky's basic financial statements. The accompanying combining fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 14, 2008 on our consideration of Crittenden County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

*Krista L. Romaine, CPA*

Krista L. Romaine, CPA  
Romaine & Associates, PLLC

May 14, 2008

CRITTENDEN COUNTY OFFICIALS

For The Year Ended June 30, 2007

**Fiscal Court Members:**

Fred Brown	County Judge/Executive
Helen McConnell	Magistrate
Glenn Underdown	Magistrate
Percy Cook	Magistrate
Greg West	Magistrate
Dan Wood	Magistrate
Curt Buntin	Magistrate

**Other Elected Officials:**

Rebecca J. Johnson	County Attorney
Rickey Riley	Jailer
Carolyn Byford	County Clerk
Madeline Henderson	Circuit Court Clerk
Wayne Agent	Sheriff
Ronnie Heady	Property Valuation Administrator
Joe Myers	Coroner

**Appointed Personnel:**

Sue Padget	County Treasurer
Daphenia Downs	Finance Officer

**CRITTENDEN COUNTY  
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2007**

**CRITTENDEN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

June 30, 2007

	Primary Government			Crittenden
	Governmental	Business-Type		County Hospital
	Activities	Activities	Totals	9/30/2007
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 3,440,041	\$ 4,591	\$ 3,444,632	\$ 1,176,255
Assets Held For Resale	98,600		98,600	
Patient Accounts Receivable, Net of Allowance \$806,256				1,646,380
Supplies				352,104
Prepaid Expenses and Other				621,245
Total Current Assets	<u>\$ 3,538,641</u>	<u>\$ 4,591</u>	<u>\$ 3,543,232</u>	<u>\$ 3,795,984</u>
Noncurrent Assets:				
Other Long-term Investments	\$	\$	\$	\$ 2,307,199
Capital Assets - Net of Accumulated Depreciation				
Land and Land Improvements	165,690		165,690	97,825
Buildings	6,673,044		6,673,044	2,702,970
Other Equipment	97,978		97,978	1,258,083
Vehicles and Equipment	284,668		284,668	
Infrastructure Assets - Net of Depreciation	25,461,186		25,461,186	
Other Assets				8,070
Total Noncurrent Assets	<u>\$ 32,682,566</u>	<u>\$</u>	<u>\$ 32,682,566</u>	<u>\$ 6,374,147</u>
Total Assets	<u>\$ 36,221,207</u>	<u>\$ 4,591</u>	<u>\$ 36,225,798</u>	<u>\$ 10,170,131</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	\$	\$	\$	\$ 258,723
Accrued Expenses				300,498
Financing Obligations	98,600		98,600	
Payable To Employees (Including payroll taxes and benefits)				605,408
Current Maturities of Long-term Debt	17,633		17,633	333,123
Estimated Amounts Due To Third-Party				461,313
Total Current Liabilities	<u>\$ 116,233</u>	<u>\$</u>	<u>\$ 116,233</u>	<u>\$ 1,959,065</u>
Noncurrent Liabilities:				
Long-term Debt, Net of Current Portion	\$ 6,703,667	\$	\$ 6,703,667	\$ 1,009,678
Total Noncurrent Liabilities	<u>\$ 6,703,667</u>	<u>\$</u>	<u>\$ 6,703,667</u>	<u>\$ 1,009,678</u>
Total Liabilities	<u>\$ 6,819,900</u>	<u>\$</u>	<u>\$ 6,819,900</u>	<u>\$ 2,968,743</u>

The accompanying notes are an integral part of the financial statements.



**CRITTENDEN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

	Primary Government			Crittenden County Hospital 9/30/2007
	Governmental Activities	Business-Type Activities	Totals	
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	\$ 25,862,666	\$	\$ 25,862,666	\$ 2,826,569
Unrestricted	3,538,641	4,591	3,543,232	4,374,819
Total Net Assets	<u>\$ 29,401,307</u>	<u>\$ 4,591</u>	<u>\$ 29,405,898</u>	<u>\$ 7,201,388</u>

The accompanying notes are an integral part of the financial statements.

**CRITTENDEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CRITTENDEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 911,269	\$ 25,990	\$ 183,225	\$ 7,200
Protection to Persons and Property	448,411	72,346	79,810	247,743
General Health and Sanitation	17,216	1,247		
Social Services	3,509		75,295	398,603
Recreation and Culture	40,312		\$ 13,744	\$ 19,904
Transportation Facilities and Services	6,815			
Roads	1,361,694		1,867,332	
Airports	10,000			
Other Transportation Facilities and Services	579,162			
Interest on Long-term and Short-term Debt	258,892			
Total Governmental Activities	\$ 3,637,280	\$ 99,583	\$ 2,219,406	\$ 673,450
Business-type Activities:				
Jail Canteen	46	1,229		
Total Business-type Activities	\$ 46	\$ 1,229	\$ -	\$ -
Total Primary Government	\$ 3,637,326	\$ 100,812	\$ 2,219,406	\$ 673,450
Component Unit:				
Crittenden County Hospital, Inc.	14,876,519	\$ 15,082,913	\$	\$
Total Component Units	\$ 14,876,519	\$ 15,082,913	\$	\$

**General Revenues:**

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Gain on Sale of Equipment

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**CRITTENDEN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			Crittenden County Hospital 9/30/2007
Governmental Activities	Business-Type Activities	Totals	
\$ (694,854)	\$	\$ (694,854)	\$
(48,512)		(48,512)	
(15,969)		(15,969)	
470,389		470,389	
(6,664)		(6,664)	
(6,815)		(6,815)	
505,638		505,638	
(10,000)		(10,000)	
(579,162)		(579,162)	
(258,892)		(258,892)	
\$ (644,841)	\$	\$ (644,841)	\$
	1,183	1,183	
\$ -	\$ 1,183	\$ 1,183	\$
(644,841)	1,183	(643,658)	\$
			\$ 206,394
			\$ 206,394
\$ 312,884	\$	\$ 312,884	\$
7,290		7,290	
62,198		62,198	
103,362		103,362	
25,735		25,735	
200,019		200,019	129,375
64,793		64,793	
27,896		27,896	24,151
\$ 804,177	\$	\$ 804,177	\$ 153,526
\$ 159,336	\$ 1,183	\$ 160,519	\$ 359,920
29,241,971	3,408	29,245,379	6,841,468
\$ 29,401,307	\$ 4,591	\$ 29,405,898	\$ 7,201,388

The accompanying notes are an integral part of the financial statements.

**CRITTENDEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2007**

**CRITTENDEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

June 30, 2007

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 216,337	\$ 290,491	\$ 2,577,929	\$ 219,865
Total Assets	<u>\$ 216,337</u>	<u>\$ 290,491</u>	<u>\$ 2,577,929</u>	<u>\$ 219,865</u>
<b>FUND BALANCES</b>				
Unreserved:				
General Fund	\$ 216,337	\$	\$	\$
Special Revenue Funds		273,715	2,577,929	218,914
Reserved:				
Reserved For Encumbrances		<u>16,776</u>		<u>951</u>
Total Fund Balances	<u>\$ 216,337</u>	<u>\$ 290,491</u>	<u>\$ 2,577,929</u>	<u>\$ 219,865</u>

The accompanying notes are an integral part of the financial statements.

**CRITTENDEN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2007**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 135,419</u>	<u>\$ 3,440,041</u>
<u>\$ 135,419</u>	<u>\$ 3,440,041</u>

\$ 135,419	\$ 216,337
	3,205,977
	<u>17,727</u>
<u>\$ 135,419</u>	<u>\$ 3,440,041</u>

**Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 3,440,041
Amounts Reported For Governmental Activities In The Statement	
Of Net Assets Are Different Because:	
Assets Held For Resale Are Not Financial Resources And Therefore	
Are Not Reported In The Funds	98,600
Capital Assets Used in Governmental Activities Are Not Financial	
Resources And Therefore Are Not Reported in the Funds.	43,607,760
Accumulated Depreciation	(10,925,194)
Long-term debt is not due and payable in the current period and,	
therefore, is not reported in the funds.	
Financing Obligations	<u>(6,819,900)</u>
Net Assets Of Governmental Activities	<u>\$ 29,401,307</u>

**CRITTENDEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**



**CRITTENDEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<u>General Fund</u>	<u>Road Fund</u>	<u>Jail Fund</u>	<u>LGEA Fund</u>
<b>REVENUES</b>				
Taxes	\$ 485,734	\$	\$	\$
Excess Fees	18,735	7,000		
Licenses and Permits	10,506			
Intergovernmental	100,016	1,291,493	307,517	619,442
Charges for Services	4,400		38,617	6,095
Miscellaneous	14,982	581,208	3,205	36,502
Interest	2,328	7,792	184,982	3,428
Total Revenues	<u>\$ 636,701</u>	<u>\$ 1,887,493</u>	<u>\$ 534,321</u>	<u>\$ 665,467</u>
<b>EXPENDITURES</b>				
General Government	\$ 308,079	\$	\$	\$ 99,402
Protection to Persons and Property	12,368	20,705	241,107	49,855
General Health and Sanitation				17,216
Social Services				3,509
Recreation and Culture				40,312
Transportation Facilities and Services		6,815		
Roads		879,789		2,534
Airports				10,000
Other Transportation Facilities and Services		579,162		
Road Facilities				
Debt Service	1,835	382,950	616,232	5,508
Capital Projects		56,523	3,831,596	489,143
Administration	268,741	78,763	41,978	25,897
Total Expenditures	<u>\$ 591,023</u>	<u>\$ 2,004,707</u>	<u>\$ 4,730,913</u>	<u>\$ 743,376</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 45,678</u>	<u>\$ (117,214)</u>	<u>\$ (4,196,592)</u>	<u>\$ (77,909)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds From Sale of Capital Assets	\$	\$ 179,896	\$	\$
Financing Obligation Proceeds		98,600	6,705,000	
Transfers From Other Funds	274,284		70,000	151,681
Transfers To Other Funds	(201,279)	(232,938)	(634)	(61,114)
Total Other Financing Sources (Uses)	<u>\$ 73,005</u>	<u>\$ 45,558</u>	<u>\$ 6,774,366</u>	<u>\$ 90,567</u>
Net Change in Fund Balances	\$ 118,683	\$ (71,656)	\$ 2,577,774	\$ 12,658
Fund Balances - Beginning-(Restated)	97,654	362,147	155	207,207
Fund Balances - Ending	<u>\$ 216,337</u>	<u>\$ 290,491</u>	<u>\$ 2,577,929</u>	<u>\$ 219,865</u>

The accompanying notes are an integral part of the financial statements.

**CRITTENDEN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2007**  
**(Continued)**

<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$ 485,734
	25,735
	10,506
43,250	2,361,718
	49,112
	635,897
1,488	200,018
<u>\$ 44,738</u>	<u>\$ 3,768,720</u>
\$	\$ 407,481
31	324,066
	17,216
	3,509
	40,312
	6,815
	882,323
	10,000
	579,162
	1,006,525
	4,377,262
1,835	417,214
<u>\$ 1,866</u>	<u>\$ 8,071,885</u>
<u>\$ 42,872</u>	<u>\$ (4,303,165)</u>
\$	\$ 179,896
	6,803,600
	495,965
	(495,965)
<u>\$</u>	<u>\$ 6,983,496</u>
\$ 42,872	\$ 2,680,331
92,547	759,710
<u>\$ 135,419</u>	<u>\$ 3,440,041</u>

The accompanying notes are an integral part of the financial statements.

**CRITTENDEN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CRITTENDEN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance-  
Governmental Funds to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 2,680,331
<p>Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>	
Assets disposed of, Net Book Value	(152,000)
Capital Outlay	4,377,262
Depreciation Expense	(788,890)
Assets held for resale	98,600
<p>The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.</p>	
Financing Proceeds	(6,803,600)
Financing Obligation Principal Payments	<u>747,633</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 159,336</u></u>

**CRITTENDEN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

**CRITTENDEN COUNTY**  
**STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 4,591
Total Current Assets	<u>\$ 4,591</u>
Total Assets	<u>\$ 4,591</u>
<b>Net Assets</b>	
Unrestricted	\$ 4,591
Total Net Assets	<u><u>\$ 4,591</u></u>

The accompanying notes are an integral part of the financial statements.

**CRITTENDEN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CRITTENDEN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 1,229
Total Operating Revenues	<u>\$ 1,229</u>
<b>Operating Expenses</b>	
Educational and Recreational	\$ 46
Total Operating Expenses	<u>\$ 46</u>
Operating Income (Loss)	<u>\$ 1,183</u>
Change In Net Assets	\$ 1,183
Total Net Assets - Beginning	3,408
Total Net Assets - Ending	<u><u>\$ 4,591</u></u>

The accompanying notes are an integral part of the financial statements.



**CRITTENDEN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

**CRITTENDEN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2007**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 1,229
Educational and Recreational	(46)
Net Cash Provided By Operating Activities	\$ 1,183
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 1,183
Cash and Cash Equivalents - July 1, 2006	3,408
Cash and Cash Equivalents - June 30, 2007	\$ 4,591
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income (Loss)	\$ 1,183
Net Cash Provided By Operating Activities	\$ 1,183

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2007**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, financial statements of Crittenden County Hospital, Inc., a discretely presented component unit, are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Crittenden County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Units

The component unit's column in the combined financial statements include the data of the following organizations. This is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organization's separateness from the fiscal court's primary government.

Crittenden County Hospital, Inc.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Discretely Presented Component Units (Continued)

The Crittenden County Fiscal Court has the authority to appoint a voting majority of the Crittenden County Hospital, Inc.'s governing board. The Crittenden County Hospital is engaged in providing medical care in the Crittenden County area. The Crittenden County Hospital, Inc. fiscal year ends September 30, therefore, the information provided is as of and for the year ended September 30, 2007.

Audited financial statements for the Crittenden County Hospital, Inc., a discretely presented component unit, may be requested by contacting the Crittenden County Hospital, Inc., PO Box 386, Marion, Kentucky 42064.

**C. Crittenden County Elected Officials**

Kentucky law provides for election of the officials below from the geographic area constituting Crittenden County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Crittenden County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Local Governmental Economic Assistance Fund** - The primary purpose of this fund is to account for general health and sanitation, social services, and economic assistance expenses of the county. The primary sources of revenue are state grants, coal, and mineral severance taxes, landfill user fees, and recreational area user fees. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures properly.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The primary government also has the following non-major funds: E-911 Board Fund and E-911 Wireless Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, E-911 Board Fund, and E-911 Wireless Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**Presentation of Component Unit**

The financial statements present the following major discretely presented component unit:

Crittenden County Hospital, Inc.

The component unit is presented in a separate column on the Statement of Net Assets and the Statement of Activities to emphasize this organization's separateness from the fiscal court's primary government.

**E. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments (Continued)**

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 1,000	3-25
Vehicles	\$ 1,000	3-25
Infrastructure	\$ 20,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.



**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Crittenden County Hospital, Inc. (discretely presented component unit) funds are not budgeted by the county. The Department for Local Government does not require the County to report or budget these funds.

The Department for Local Government does not require the County to budget the Jail Canteen Fund.

**J. Jointly Governed Organizations**

A regional government or other multi-government arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is considered to be a jointly governed organization. Based upon these criteria, the following are considered to be jointly governed organizations of the Crittenden County Fiscal Court: The Marion-Crittenden County Industrial Development Authority and the Crittenden-Livingston County Water District.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 2. Deposits**

**A. Deposits**

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. Crittenden County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2007, all deposits of the primary government were covered by FDIC insurance or a properly executed collateral security agreement. As of September 30, 2007, all deposits of the Crittenden County Hospital, Inc. were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Short-term Debt – Primary Government**

**A. KADD-Trucks**

In June 2005, the Crittenden County Fiscal Court entered into a one year agreement with the Kentucky Development Districts Financing Trust for the purpose of financing the purchase of two trucks. The issue amount of the lease was \$180,000 with an interest rate of 2.25 percent. This lease agreement was rolled into a new agreement on June 1, 2006 in the amount of \$185,000 with an interest rate of 4.00 percent. The Principal amount of \$185,000 and interest in the amount of \$3,700 were paid during the year.

In June 2006, the Crittenden County Fiscal Court entered into a one year agreement with the Kentucky Development Districts Financing Trust for the purpose of financing the purchase of two trucks. The issue amount of the lease was \$190,000 with an interest rate of 4.20 percent. The Principal amount of \$190,000 and interest in the amount of \$4,250 were paid during the year.

**B. Kentucky Association of Counties Leasing Trust Program (KaCoLT)-Truck**

In June 2007, the Crittenden County Fiscal Court entered into a short term borrowing agreement with the Kentucky Association of Counties Leasing Trust for the purchase of a new road truck. The amount of issue was \$98,600 with an interest rate of 3.95 percent.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 3. Short-term Debt – Primary Government (Continued)**

**C. Jail Detention Facility**

In November 2005, the Crittenden County Fiscal Court entered into a short-term bond anticipation note with the Kentucky Development Districts Association of Counties Leasing Trust for a jail project. The bond anticipation note was issued in the amount of \$355,000 at an interest rate of 3.50 percent. Both principal and interest were paid in October 2006.

**D. Changes in Short-term Debt – Primary Government**

Primary Government

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities</u>				
KaColt-Mack Truck	\$ 0	\$ 98,600	\$ 0	\$ 98,600
KADD-2005-182V	355,000		355,000	
KADD-2006-213J	190,000		190,000	
KADD-2006-213I	185,000		185,000	
Governmental Activities				
Short-term Debt	<u>\$ 730,000</u>	<u>\$ 98,600</u>	<u>\$ 730,000</u>	<u>\$ 98,600</u>

Interest on Short-term Debt

Interest on Short-term Debt on the Statement of Activities includes \$13,127 in interest on financing obligations.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 165,690		\$	\$ 165,690
Total Capital Assets Not Being Depreciated	\$ 165,690	\$	\$	\$ 165,690
Capital Assets, Being Depreciated:				
Buildings	\$ 5,509,734	\$ 4,320,739	\$	\$ 9,830,473
Other Equipment	486,694			486,694
Vehicles and Equipment	2,167,444	56,523	(215,400)	2,008,567
Infrastructure	31,116,336			31,116,336
Total Capital Assets Being Depreciated	39,280,208	4,377,262	(215,400)	43,442,070
Less Accumulated Depreciation For:				
Buildings	\$ (2,997,637)	\$ (159,792)	\$	\$ (3,157,429)
Other Equipment	(356,368)	(32,348)		(388,716)
Vehicles and Equipment	(1,708,021)	(79,278)	63,400	(1,723,899)
Infrastructure	(5,137,678)	(517,472)		(5,655,150)
Total Accumulated Depreciation	\$ (10,199,704)	\$ (788,890)	\$ 63,400	\$ (10,925,194)
Total Capital Assets, Being Depreciated, Net	\$ 29,080,504	\$ 3,588,372	\$ (152,000)	\$ 32,516,876
Governmental Activities Capital Assets, Net	\$ 29,246,194	\$ 3,588,372	\$ (152,000)	\$ 32,682,566

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:	
General Government	\$ 86,574
Protection to Persons and Property	124,345
Roads, Including Depreciation of General Infrastructure Assets	577,971
Total Depreciation Expense - Governmental Activities	\$ 788,890

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 4. Capital Assets (Continued)**

Capital asset activity for discretely presented component units for the year ended September 30, 2007 was as follows:

**Crittenden County Hospital, Inc.**

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 24,000	\$ 10,315		\$ 34,315
Land	44,408			44,408
Total Capital Assets Not Being Depreciated	\$ 68,408	\$ 10,315	\$	\$ 78,723
Capital Assets, Being Depreciated:				
Land Improvements	\$ 421,946	\$		\$ 421,946
Buildings and Leasehold Improvements	5,482,122	24,691		5,506,813
Equipment	10,646,967	848,367	(1,085,542)	10,409,792
Total Capital Assets Being Depreciated	\$ 16,551,035	\$ 873,058	\$ (1,085,542)	\$ 16,338,551
Less Accumulated Depreciation For:				
Land Improvements	\$ (396,197)	\$ (6,647)		\$ (402,844)
Buildings and Leasehold Improvements	(3,695,207)	(176,180)	1,067,544	(2,803,843)
Equipment	(8,592,570)	(559,139)		(9,151,709)
Total Accumulated Depreciation	\$ (12,683,974)	\$ (741,966)	\$ 1,067,544	\$ (12,358,396)
Total Capital Assets, Being Depreciated, Net	\$ 3,867,061	\$ 131,092	\$ (17,998)	\$ 3,980,155
Capital Assets, Net	\$ 3,935,469	\$ 141,407	\$ (17,998)	\$ 4,058,878

Depreciation expense was charged to functions of the discretely presented major components units as follows:

Crittenden County Hospital, Inc.	\$ 741,966
Total Depreciation Expense-Component Unit	\$ 741,966

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt – Primary Government**

**A. Bond Anticipation Note (Detention Facility Project), 2006 Series**

On February 1, 2007, the Crittenden County Fiscal Court entered into the Note with U.S. Bank, Government Banking Division in anticipation of the issuance of the County's General Obligation Bonds for the purpose of (i) paying the cost of construction, installation, and equipping of a detention facility, (ii) paying interest during construction, (iii) retiring the \$355,000 bond anticipation lease between the County and the Kentucky Area Development Districts Financing Trust and (iv) paying the costs of issuance of the Notes. The issue amount of the note was \$6,705,000 with an interest rate of 4.20 percent. Interest payments are made semi-annually. The principal balance of \$6,705,000 is due August, 1, 2009.

**B. Detention Center Facility**

The Crittenden County Fiscal Court entered an agreement with the Kentucky Development Districts Financing Trust on November 19, 1997 for the purpose of financing renovations to the Crittenden County Detention Facility. The issue amount of the lease was \$88,000 with an interest rate of 6.24 percent. Principal and interest payments are made twice each year during November and May. The principal balance of the lease as of June 30, 2007 was \$5,800.

The following is a summary of the remaining principal and interest requirements as of June 30, 2007:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2008	\$ 5,800	\$ 181
Totals	<u>\$ 5,800</u>	<u>\$ 181</u>

**C. Sheriff's Vehicle**

The Crittenden County Fiscal Court assumed an agreement with Ford Motor Credit from the Crittenden County Sheriff's department collateralized by a 2007 Ford Explorer in November 2005. The balance assumed was \$21,702 issued at an interest rate of 5.55 percent and payable on a quarterly basis effective November 2005. As of June 30, 2007 the principal was \$10,500.

The following is a summary of the remaining principal and interest requirements as of June 30, 2007:

Fiscal Year Ended June 30	Principal	Interest & Fees
2008	\$ 6,903	\$ 441
2009	3,597	75
Totals	\$ 10,500	\$ 516

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 5. Long-term Debt – Primary Government (Continued)**

**D. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
Governmental Activities:					
Bond Anticipation Note	\$	\$ 6,705,000	\$	\$ 6,705,000	\$
Financing Obligations	<u>33,933</u>		<u>17,633</u>	<u>16,300</u>	<u>17,633</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 33,933</u>	<u>\$ 6,705,000</u>	<u>\$ 17,633</u>	<u>\$ 6,721,300</u>	<u>\$ 17,633</u>

Interest on Long-term Debt

Interest on Long-term Debt on the Statement of Activities includes \$245,765 in interest on financing obligations and bond anticipation note.

**Note 6. Long-term Debt – Discretely Presented Component Unit**

**A. Notes Payable**

This Obligation consists of two notes payable secured by certain equipment. The notes are due in 2010 with an interest rates imputed at 6.50 percent. The debt service requirements as of September 30, 2007, are as follows:

<u>Fiscal Year Ended September 30</u>	<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest &amp; Fees</u>
2008	\$ 162,381	\$ 17,957
2009	169,611	10,727
2010	<u>133,230</u>	<u>3,062</u>
Totals	<u>\$ 465,222</u>	<u>\$ 31,746</u>

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt – Discretely Presented Component Unit (Continued)**

**B. Note Payable to Bank**

The note payable to the bank is due December 15, 2011, with principal and interest at 6.5 percent payable monthly. The note is secured by certain equipment. The debt service requirements as of September 30, 2007, were as follows:

Fiscal Year Ended September 30	Component Unit	
	Principal	Interest
2008	\$ 91,739	\$ 25,658
2009	97,905	19,492
2010	104,462	12,935
2011	111,458	5,939
2012	29,010	314
Totals	<u>\$ 434,574</u>	<u>\$ 64,338</u>

**C. Capital Lease Obligation**

The hospital is obligated under leases for equipment that are accounted for as capital leases. Assets under capital leases at September 30, 2007, totaled \$ 168,100, net of accumulated depreciation of \$72,595. The following is a schedule by year of future minimum lease payments under the capital lease including interest rates of 6 percent to 9.25 percent together with the present value of the future minimum lease payments as of September 30, 2007:

<u>Fiscal Year Ended September 30</u>	<u>Interest</u>
2008	\$ 17,738
2009	9,536
2010	1,625
Total minimum lease payments	\$ 28,899
Less amount representing interest	<u>1,530</u>
Present value of future minimum lease payments	<u>\$ 27,369</u>



**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt – Discretely Presented Component Unit (Continued)**

**D. Note Payable – AIK**

This note payable is due January 7, 2011, with principal and interest 6.00 percent payable monthly. The note is secured by substantially all of the Hospital's assets. The debt service requirements as of September 30, 2007, were as follows:

<u>Fiscal Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 30,865	\$ 5,790
2009	32,769	3,886
2010	34,790	1,865
2011	12,068	150
Totals	<u>\$ 110,492</u>	<u>\$ 11,691</u>

**E. Note Payable to Bank**

This note payable to bank is due June 16, 2015, with principle and interest at 6.25 percent payable monthly. After December 16, 2006, the interest rate changed to prime (7.5 percent at September 30, 2007), plus 1 percent. The note is secured by all accounts receivable. The debt service requirements as of September 30, 2007, were as follows:

<u>Fiscal Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 31,491	\$ 18,184
2009	33,568	16,107
2010	35,727	13,948
2011	38,025	11,650
2012	40,438	9,237
2013-2015	125,895	10,711
Totals	<u>\$ 305,144</u>	<u>\$ 79,837</u>

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 6. Long-term Debt – Discretely Presented Component Unit (Continued)**

**F. Changes In Long-term Debt – Discretely Presented Component Unit**

<u>Component Unit</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes Payable to Vendors	\$ 620,833	\$	\$ 155,611	\$ 465,222	\$ 162,381
Note Payable to Bank	334,113		28,969	305,144	31,491
Note Payable to Bank		500,060	65,486	434,574	91,739
Note Payable - AIK	139,564		29,072	110,492	30,865
Capital Lease Obligations	81,084		53,715	27,369	16,647
Total Long-term Liabilities	<u>\$ 1,175,594</u>	<u>\$ 500,060</u>	<u>\$ 332,853</u>	<u>\$ 1,342,801</u>	<u>\$ 333,123</u>

Interest on Long-term Debt

Interest on Long-term Debt on the Statement of Activities includes \$80,673 in interest on financing obligations.

**Note 7. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.19 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

The Crittenden County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 8. Deferred Compensation- (Continued)**

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2007, Crittenden County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Transportation Grant**

The Ohio River Ferry Authority, Incorporated through the Crittenden County Fiscal Court obtained a grant from the Kentucky Transportation Cabinet to provide for the operations of a ferry service across the Ohio River between Crittenden County, Kentucky and Hardin County, Illinois. On November 8, 1994, the Ohio River Ferry Authority, Incorporated entered into an agreement with Cave-In-Rock Ferry Company, Incorporated to operate the ferry service. Grant receipts for the fiscal year were \$579,158.

**Note 11. Prior-Period Adjustment – Primary Government**

The General Fund Balance of \$97,654 has been adjusted to include prior year voided checks in the amount of \$117. The Road Fund balance of \$362,147 has been adjusted to include prior year voided checks in the amount of \$405 for a prior period adjustment. The E-911 Wireless Fund Balance of \$39,809 includes \$750 in prior year voided checks. The Jail Fund Balance includes \$117 of prior year voided checks. Beginning net assets of governmental activities has also been restated by \$1,389 as well.

**Note 12. Subsequent Events – General Obligation Improvement Bonds, 2007**

The Crittenden County Fiscal Court issued General Obligation Bonds, 2007 Series on December 1, 2007 in the amount of \$7,125,000. The Crittenden County Fiscal Court also issued a 2008 Series in the amount of \$500,000. The Bond Issues were for the purpose of (i) finishing the construction of the new detention facility, (ii) provide equipment for the building, (iii) retire the bond anticipation note, 2006 series and (iv) paying the cost of issuance of the bonds.

**CRITTENDEN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**  
**(Continued)**

**Note 13. Assets Held For Resale**

Assets held for resale activity for the year ended June 30, 2007 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Assets Held For Resale:				
Vehicles	\$	\$ 98,600	\$	\$ 98,600
Total Assets Held For Resale	\$	\$ 98,600	\$	\$ 98,600

**CRITTENDEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**

**CRITTENDEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**

**For The Year Ended June 30, 2007**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 457,630	\$ 457,630	\$ 485,734	\$ 28,104
Excess Fees	35,000	35,000	18,735	(16,265)
Licenses and Permits	46,000	46,000	10,506	(35,494)
Intergovernmental	62,402	62,845	100,016	37,171
Charges for Services	3,000	3,000	4,400	1,400
Miscellaneous	7,700	7,700	14,982	7,282
Interest	200	200	2,328	2,128
Total Revenues	<u>\$ 611,932</u>	<u>\$ 612,375</u>	<u>\$ 636,701</u>	<u>\$ 24,326</u>
<b>EXPENDITURES</b>				
General Government	\$ 283,527	\$ 287,275	\$ 308,079	\$ (20,804)
Protection to Persons and Property	11,517	11,960	12,368	(408)
General Health and Sanitation	100	100		100
Recreation and Culture	20,000	1,918		1,918
Debt Service			1,835	(1,835)
Administration	302,788	317,122	268,741	48,381
Total Expenditures	<u>\$ 617,932</u>	<u>\$ 618,375</u>	<u>\$ 591,023</u>	<u>\$ 27,352</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (6,000)</u>	<u>\$ (6,000)</u>	<u>\$ 45,678</u>	<u>\$ 51,678</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing Obligation Proceeds	\$ 1,000	\$ 1,000	\$	\$ (1,000)
Transfers From Other Funds	222,690	222,690	274,284	51,594
Transfers To Other Funds	(222,690)	(222,690)	(201,279)	21,411
Total Other Financing Sources (Uses)	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 73,005</u>	<u>\$ 72,005</u>
Net Changes in Fund Balance	\$ (5,000)	\$ (5,000)	\$ 118,683	\$ 123,683
Fund Balance - Beginning (Restated)	<u>5,000</u>	<u>5,000</u>	<u>97,654</u>	<u>92,654</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 216,337</u>	<u>\$ 216,337</u>

**CRITTENDEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Excess Fees	\$	\$	\$ 7,000	\$ 7,000
Intergovernmental	1,478,887	1,485,465	1,291,493	(193,972)
Miscellaneous	524,204	524,204	581,208	57,004
Interest	2,100	2,100	7,792	5,692
Total Revenues	<u>\$ 2,005,191</u>	<u>\$ 2,011,769</u>	<u>\$ 1,887,493</u>	<u>\$ (124,276)</u>
<b>EXPENDITURES</b>				
General Health and Sanitation	\$ 19,500	\$ 31,789	\$ 20,705	\$ 11,084
Transportation Facilities and Services	8,700	9,007	6,815	2,192
Roads	1,123,969	1,256,860	879,789	377,071
Other Transportation Facilities and Services	524,204	579,162	579,162	-
Debt Service			382,950	(382,950)
Capital Projects	1,600	1,600	56,523	(54,923)
Administration	104,528	97,590	78,763	18,827
Total Expenditures	<u>\$ 1,782,501</u>	<u>\$ 1,976,008</u>	<u>\$ 2,004,707</u>	<u>\$ (28,699)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ 222,690</u>	<u>\$ 35,761</u>	<u>\$ (117,214)</u>	<u>\$ (152,975)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	\$ (222,690)	\$ (222,690)	\$ (232,938)	\$ (10,248)
Financing Obligation Proceeds			98,600	98,600
Proceeds from Sale of Capital Assets		175,924	179,896	3,972
Total Other Financing Sources (Uses)	<u>\$ (222,690)</u>	<u>\$ (46,766)</u>	<u>\$ 45,558</u>	<u>\$ 92,324</u>
Net Changes in Fund Balance	\$	\$ (11,005)	\$ (71,656)	\$ (60,651)
Fund Balance - Beginning (Restated)		11,005	362,147	351,142
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 290,491</u>	<u>\$ 290,491</u>

**CRITTENDEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

	<b>JAIL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 56,000	\$ 297,000	\$ 307,517	\$ 10,517
Charges for Services	25,000	25,000	38,617	13,617
Miscellaneous	3,100	3,685	3,205	(480)
Interest	100	183,800	184,982	1,182
Total Revenues	<u>\$ 84,200</u>	<u>\$ 509,485</u>	<u>\$ 534,321</u>	<u>\$ 24,836</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	\$ 205,997	\$ 249,181	\$ 241,107	\$ 8,074
Debt Service		604,249	616,232	(11,983)
Capital Projects	12,000	6,307,986	3,831,596	2,476,390
Administration	88,893	275,759	41,978	233,781
Total Expenditures	<u>\$ 306,890</u>	<u>\$ 7,437,175</u>	<u>\$ 4,730,913</u>	<u>\$ 2,706,262</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>\$ (222,690)</u>	<u>\$ (6,927,690)</u>	<u>\$ (4,196,592)</u>	<u>\$ 2,731,098</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	\$ 222,690	\$ 222,690	\$ 70,000	\$ (152,690)
Transfers To Other Funds			(634)	(634)
Borrowed Money		6,705,000	6,705,000	
Total Other Financing Sources (Uses)	<u>\$ 222,690</u>	<u>\$ 6,927,690</u>	<u>\$ 6,774,366</u>	<u>\$ (153,324)</u>
Net Changes in Fund Balance	\$	\$	\$ 2,577,774	\$ 2,577,774
Fund Balance - Beginning (Restated)			155	155
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,577,929</u>	<u>\$ 2,577,929</u>



**CRITTENDEN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2007**  
**(Continued)**

**LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 909,000	\$ 999,007	\$ 619,442	\$ (379,565)
Charges for Services		2,000	6,095	4,095
Miscellaneous		30,000	36,502	6,502
Interest	1,000	1,000	3,428	2,428
Total Revenues	\$ 910,000	\$ 1,032,007	\$ 665,467	\$ (366,540)
<b>EXPENDITURES</b>				
General Government	\$ 58,182	\$ 122,582	\$ 99,402	\$ 23,180
Protection to Persons and Property	57,000	59,781	49,855	9,926
General Health and Sanitation	172,700	177,216	17,216	160,000
Social Services	384,700	387,520	3,509	384,011
Recreation and Culture	189,100	189,100	40,312	148,788
Roads	72,800	98,713	2,534	96,179
Airports			10,000	(10,000)
Debt Service			5,508	(5,508)
Capital Projects			489,143	(489,143)
Administration	11,000	32,577	25,897	6,680
Total Expenditures	\$ 945,482	\$ 1,067,489	\$ 743,376	\$ 324,113
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	\$ (35,482)	\$ (35,482)	\$ (77,909)	\$ (42,427)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	\$	\$	151,681	\$ 151,681
Transfers To Other Funds			(61,114)	(61,114)
Total Other Financing Sources (Uses)	\$ 0	\$ 0	\$ 90,567	\$ 90,567
Net Changes in Fund Balances	\$ (35,482)	\$ (35,482)	\$ 12,658	\$ 48,140
Fund Balances - Beginning	35,482	35,482	207,207	171,725
Fund Balances - Ending	\$ 0	\$ 0	\$ 219,865	\$ 219,865

**CRITTENDEN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2007**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**CRITTENDEN COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2007**

**CRITTENDEN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

June 30, 2007

	<u>911 Board Fund</u>	<u>911 Wireless Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 82,051	\$ 53,368	\$ 135,419
Total Assets	<u>\$ 82,051</u>	<u>\$ 53,368</u>	<u>\$ 135,419</u>
<b>FUND BALANCES</b>			
Unreserved:			
Special Revenue Funds	<u>\$ 82,051</u>	<u>\$ 53,368</u>	<u>\$ 135,419</u>
Total Fund Balances	<u>\$ 82,051</u>	<u>\$ 53,368</u>	<u>\$ 135,419</u>

**CRITTENDEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2007**

**CRITTENDEN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30,2007**

	<u>911 Board Fund</u>	<u>911 Wireless Fund</u>	<u>Total Non-Major Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental	\$	\$ 43,250	\$ 43,250
Interest	661	827	1,488
Total Revenues	<u>\$ 661</u>	<u>\$ 44,077</u>	<u>\$ 44,738</u>
<b>EXPENDITURES</b>			
Protection to Persons and Property	\$ 31	\$	\$ 31
Administration		1,835	1,835
Total Expenditures	<u>\$ 31</u>	<u>\$ 1,835</u>	<u>\$ 1,866</u>
Net Change in Fund Balances	\$ 630	\$ 42,242	\$ 42,872
Fund Balances - Beginning (Restated)	52,738	39,809	92,547
Fund Balances - Ending	<u><u>\$ 53,368</u></u>	<u><u>\$ 82,051</u></u>	<u><u>\$ 135,419</u></u>

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Krista Romaine, CPA, Member  
Charlotte Clark, Member



William Erwin, CPA  
Van R. Prince, CPA

CERTIFIED PUBLIC ACCOUNTANTS

The Honorable Fred Brown, Crittenden County Judge/Executive  
Members of the Crittenden County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Crittenden County, Kentucky, as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements, as listed in the table of contents, and have issued our report thereon dated May 14, 2008 in which we issued a qualified opinion on the discretely presented component unit opinion unit which was audited by other auditors. Crittenden County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The financial statements of the Crittenden County Hospital, Inc. were not audited in accordance with Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crittenden County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Crittenden County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Crittenden County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

1011 Paris Road - Suite 341 - P.O. Box 488 - Mayfield, Kentucky 42066

Phone: 270-247-8050 Fax: 270-247-7749

AICPA KSCPA TSCPA



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Crittenden County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Krista L Romaine, CPA*

Krista L Romaine, CPA  
Romaine & Associates, PLLC

May 14, 2008

**CERTIFICATE OF COMPLIANCE-  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

**CRITTENDEN COUNTY FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2007**

**Appendix A**

CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM

CRITTENDEN COUNTY FISCAL COURT

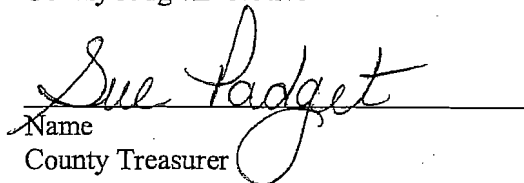
For The Fiscal Year Ending June 30, 2007

The Crittenden County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer